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March 22, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
          Supervisor Gloria Molina
          Supervisor Zev Yaroslavsky
          Supervisor Don Knabe
          Supervisor Michael D. Antonovich

From: William T Fujioka
          Chief Executive Officer

          Richard Sanchez
          Chief Information Officer

OFFICE OF THE ASSESSOR – MANAGEMENT AUDIT (ITEM 47, AGENDA OF JANUARY 8, 2013)

On January 8, 2013, the Board of Supervisors (Board) instructed the Chief Executive Officer (CEO), in conjunction with the Chief Information Officer (CIO) to report back to the Board on:

1. Any budgetary or technological changes that would be required to implement the Auditor-Controller's (A-C's) recommendations relating to the Assessor's operations, policies; and

2. The impact of implementing a Quality Assurance Program.

At the April 10, 2012 meeting, the Board instructed the A-C to review four distinct areas of operation within the Office of the Assessor (Assessor). A report on Area No. 2 (Comprehensive Management Audit) was presented to the Board at the January 8, 2013 meeting by the A-C and the consultant engaged to conduct the audit, Strategica Inc. After discussion of the item, the Board instructed the CIO and this Office to report back on the two items listed above.

This memorandum provides responses to the Board's directive relative to these two items from the audit.

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Budgetary or Technological Changes

Per the Board's instructions, a review of the following audit recommendations was completed to gauge their reasonableness and conformity with industry best practices.

Recommendation D1 – The Assessor should expedite filling the position of Enterprise Architect as presently envisioned.

Analysis – CIO agrees with this recommendation, and has worked closely with the Assessor on this goal. CIO was involved in all candidate interviews and provided a recommendation to the Assessor regarding the most qualified candidate. Per the Assessor, an offer has been extended to that candidate, and the start date is expected to be in March, 2013. The contract with the Enterprise Architect is expected to run for a period of up to two years after the date of hire.

Cost – Estimated cost of $215,000 per year for a total of $430,000.

Recommendation D2 – The Assessor should continue to research Information Technology (IT) and appraisal developments in other parts of the State for their potential application as legacy-system replacements in the County, irrespective of supposed constraints imposed by technology or regulation and should consider commercial-off-the-shelf (COTS) alternatives to in-house developments.

Analysis – CIO agrees with this recommendation, and is currently engaged with the Assessor to develop a strategy to replace the Secured and Unsecured legacy systems. The focus of this strategy is collaboration opportunities with Orange County regarding the potential acquisition of its system. Discussions are currently taking place with Orange County and are expected to continue over the next month. Concurrent to these discussions, the CIO has recommended that the Assessor conduct a gap analysis between its business requirements and the capabilities of Orange County's system.

Once the functional gap is identified and documented, the CIO recommended discussions with the vendor that developed the Orange County system to understand the software development costs associated with closing the gap. If this approach is successful, it is recommended that the Assessor partner with the software development vendor for system implementation and production support until internal technical staff develops the necessary system knowledge to provide support.

The CIO also recommended that the Assessor conduct a market survey of COTS systems to understand what functionality is available and how it compares to the Orange County solution. Regardless of which option is selected, it is expected that the Assessor will fund implementation of the new system from the Tax System Designation, which was established in 2004.

Cost – While costs have not yet been determined, it is expected that the total project expense will include the following areas:

- Gap Analysis
- Software Acquisition
- Hardware Acquisition
- Software Customization
- System Implementation
- System Hosting
- Ongoing System Maintenance and Support

Recommendation D3 – The Assessor should engage routinely in cost-benefit analyses, even for smaller projects, in order to develop proficiency that will be crucial in connection with future larger scale undertakings.

Analysis – CIO agrees with this recommendation as this is a best-practice in the IT industry. Last year, when the Assessor acquired its Project Portfolio Management System, the CIO recommended that a cost-benefit analysis be completed, including a Total Cost of Ownership between the hosted solution and on-premise solution. The Assessor's newly established Project Management Office is charged with developing project management standards and best-practices in this area.

Cost – Staff time to conduct the cost benefit analyses.

Recommendation D4 – The Assessor should provide a supported IT system for collecting, entering, analyzing, and presenting income, expense, and capitalization data in support of the income approach to valuation, and it should ensure that such resources are pooled for access by all appraisers who have potential need for such information.

Analysis – CIO agrees with this recommendation, and is working with the Assessor on a strategy to replace the Secured and Unsecured systems as described above in recommendation D2. In addition, the Assessor is also rolling-out its mobile computing solution. The Assessor recently deployed tablets to 30 field Appraisers and will roll-out another 30 in the near future. The Assessor has committed to developing a report by the end of the FY 2012-13 documenting the benefits of its mobile computing solution.

Cost – Related to D2.

Recommendation D5 – The Assessor should provide documentation on how users are expected to interact with its IT systems.

Analysis – CIO agrees with this recommendation as this is a best-practice in the IT industry.

Cost – Staff time to prepare user documentation and develop training materials.

Recommendation D6 – The Assessor should consider integrated products addressing the secured, as well as the unsecured Roll during its market research on alternatives to its systems that support unsecured Roll.

Analysis – CIO agrees with this recommendation. It has been validated that Orange County's addresses both Secured and Unsecured functionality. Because the County's current Secured and Unsecured systems run on different computing platforms (mainframe vs. AS/400), there will be technical challenges to migrate dissimilar data into one system. However, once both systems are integrated, there will be operational benefits.

Cost – Related to Recommendation D2.

Recommendation D7 – The Assessor should amend its contracts with vendors to incorporate service level agreements.

Analysis – CIO agrees with this recommendation as this is a best-practice in the IT industry. This should apply to both production and disaster recovery systems.

Cost – Staff time to revise existing contracts.

Impact of Implementing a Quality Assurance Plan

After allegations that a staff Appraiser had bypassed the Department's manual internal controls to inappropriately lower the appraised values of various parcels of property, it was readily apparent that further oversight of Assessor operations was needed. In response, the Assessor requested authority from the Board to establish a Quality and Efficiency Support Unit (QESU) to conduct department-wide quality assurance audits to examine Department operations and to provide ongoing policy recommendations to prevent any recurrence of inappropriate appraisals or other misconduct. The department's original request was for ten (10) items to comprise staffing for the unit. After consideration, the Board authorized six (6) new items for the QESU. The QESU is slated to be staffed by six experienced appraisers from the Real and Personal Property sections and supervised by an existing employee. At this time, half of the team has been brought on board and the Department is currently backfilling the vacancies as they occur. The QESU reports directly to the Assistant Assessor, Administration and will independently evaluate all Assessor operations including:

- Appraisals (District and Major Appraisal);
- Roll Services (Ownership, Exemptions, Assessment Services);
- Information Technology; and
- Administrative Services (Management Services, Human Resources, and Training).

The audits will examine the effectiveness, efficiency, and economy of operations, specifically:

- Evaluate compliance with laws, regulations, policies, and procedures;
- Assess and improve internal controls, particularly those required by the County's Internal Controls Certification Program;
- Evaluate the reliability of reporting stemming from all the operations indicated above;

- Provide insight and recommendations to improve operations and implement remedies wherever shortcomings are found; and
- Identify areas of best-practice that can be shared with departmental personnel to provide continuous improvement.

The immediate impact of the Assessor creating the QESU is the Department's proactive attempt to regain trustworthiness by reviewing and filtering its processes and decisions against best practices, legal requirements, and current policy. Longer term, the QESU can shape the policy, internal controls, and Department structure by recommending changes in automation, quality controls, and the replacement of legacy and stand-alone computer processes.

Next Steps

The CIO will continue assisting the Assessor to research and identify a unified replacement system for the Secured and Unsecured legacy systems. The Assessor's operational needs will be compared with potential solutions, such as the Orange County system and any suitable COTS system to assess the viability of such offerings for use of the County. At the that a potential solution is identified, the proposal will be brought before your Board for consideration.

Please let me know if you have any questions, or your staff may contact Scott Wiles at (213) 893-1246 or swiles@ceo.lacounty.gov.

WTF:RS:MKZ
SAW:ef

c: Executive Office, Board of Supervisors
        County Counsel
        Auditor-Controller
        Assessor